AGRICORP™

to Strengthen

Ontario's Agriculture and Food Industry

2001 - 2002 ANNUAL REPORT

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As Chair, I am pleased to report that the 2001-02 fiscal year was a highly successful one for AGRICORP. The agency has continued to develop and improve its "brand" image as an effective and reliable provider of Crop Insurance and to deliver other programs and services to the agriculture and food industry.

This past fiscal year will be remembered as the year in which we experienced the highest Crop Insurance claim year on record, with claims of over $260 million paid to Ontario producers. The strength of the organization and its people, as well as the strength of the Crop Insurance Reserve Fund, was challenged. This challenge was met, as claims were processed and paid promptly and efficiently.

AGRICORP's Business Services Division also had a highly successful year. The division provided a number of delivery contracts, including the Farm Business Registration Program, the Ontario Grain Stabilization Payment Program and the Canada-Ontario Edible Horticulture and Grain and Oilseed Payment Programs on behalf of the provincial and federal governments. A new and major addition to this list is the delivery of a variety of vital services related to the Canada-Ontario Plum Pox Eradication Strategy, a joint effort of the Ontario and federal governments, the Canadian Food Inspection Agency (CFIA), and the Ontario tender fruit and nurseries industries.

I would like to welcome our new CEO, Randy Jackiw, to AGRICORP. The Board looks forward to Randy's efforts in continuing AGRICORP's successful operations in a changing industry. On behalf of the Board, I would like to thank Alan Steel for his positive contributions during his tenure at AGRICORP, and Bob Kalbfleisch for his guidance in the interim.

In closing, AGRICORP continues to be well positioned to serve the changing needs of government program delivery, including the new Agricultural Policy Framework and other initiatives, with efficiency and effectiveness. We look forward to continuing our work with industry stakeholders by providing services that will help them achieve their goals.

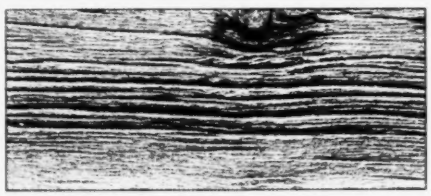
Philip Andrewes, *Chair*

MARKETING AND SALES

A key priority for the Marketing and Sales team is to enhance AGRICORP's brand equity by building and maintaining business visibility. In 2001 AGRICORP experienced greater visibility and profile at major trade shows, at stakeholder functions, in the media, and most importantly, in the eyes of producers. Much of the credit for this increased visibility goes to the public relations strategies developed by Marketing and Sales and implemented consistently by the AGRICORP team.

In 2001 our sales team surpassed its annual sales growth target of 3%, achieving sales growth of 7.8%. Representing AGRICORP's best sales season ever, this achievement brought total insured acreage to over 4 million acres. Innovative methods to sell insurance were demonstrated through direct marketing, group meetings, and finding unique ways to create value for individual producers. Integration of new technology also enhanced the team's ability to succeed. Incorporation of the PC History Program and GIS/MapInfo technology provided tools for underwriting, targeting sales, and yield collection and evaluation.

The Marketing and Sales team is accountable for developing and maintaining positive relationships with AGRICORP's Board of Directors, all major commodity organizations, Ontario Ministry of Agriculture and Food (OMAF) and Agriculture and Agri-Food Canada (AAFC) peers, and key centres of influence in the agriculture industry. Team members attended stakeholder conferences, regional meetings and industry events, ensuring AGRICORP presence and accessibility. Regular interactions and updates were provided throughout a difficult growing season, solidifying relationships with these key stakeholders.



Marketing and Sales provided leadership to the organization in issues management and information dissemination. Communication with both internal and external parties in response to industry changes, major weather related losses, and program changes ensures that everyone is kept informed and "in the know". In 2001 a media interaction plan and an integrated communication plan outlining standards and practices were incorporated into current business processes. Ensuring consistency and accuracy in all communications has strengthened the AGRICORP brand and built trust with producers.

AGRICORP continues to offer the highest coverage at an affordable price while ensuring actuarial soundness. Over 50 crop plans require annual maintenance, which includes reseeding and claim price review, plan enhancements, certification, and quality assurance. These comprehensive processes were documented in 2001, resulting in more efficient and streamlined premium rate setting in the future. The Marketing and Sales team also provides leadership in product innovation, providing flexible risk management tools that can be tailored to the needs of the individual producer, such as the Forage Rainfall Pilot and the Optional Unit Coverage Pilot.

Our successes in 2001 illustrate the depth of the people that comprise the Marketing and Sales team. Our focus in 2001 was the development of people and skills. The outcome of this investment can be recognized in the positive synergies developed for sharing of information and experiences across AGRICORP.

PROGRAM DELIVERY AND OPERATIONS

In 2001, the Program Delivery and Operations Department continued to focus its efforts on operational efficiency and program integrity. This was accomplished by expanding the Self-Declared Yields program to include more grain and oilseed crops, enhancing the use of technology such as Global Positioning Systems (GPS) and Geographical Information Systems (GIS), and exceeding customer expectations during a difficult crop year.

Customer Action Center (CAC)

The CAC is the hub of customer interaction for AGRICORP. Staff continued to provide quality service to customers through courteous and knowledgeable response to over 140,000 phone calls. Ontario farmers have come to trust and depend on this toll-free access to information on the plans administered by AGRICORP.

2001 Highlights

- Able to handle a 15% increase in annual call volume
- Supported Crop Insurance marketing initiatives by selling over 100,000 acres over the phone
- Supported the claims process by working through almost 16,000 customer damage reports.

Crop Insurance Specialized Services (CISS)

The CISS group focused its efforts on implementing AGRICORP's marketing initiatives and providing crop-specific expertise to field staff and customers alike. The team worked closely with Claims staff to process over 22,000 Crop Insurance claim payments.

Other 2001 Highlights

- Oversaw the growth of AGRICORP's two pilot projects: Forage and Optional Unit Coverage
- Supported claim payments of over $200 million to Ontario farmers
- Verified customer data and administered payments to producers under the Ontario Grain Stabilization Payment and Canada-Ontario Grain & Oilseed and Edible Horticulture Payment programs.

Claims Division

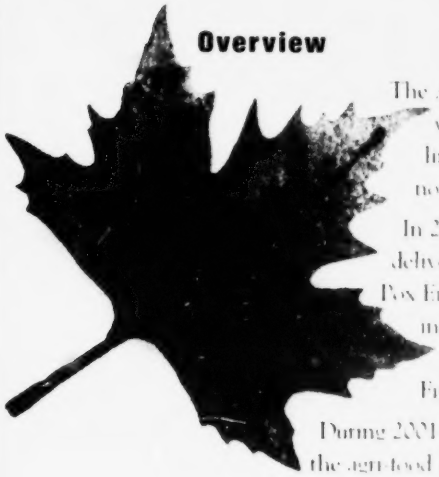
While the 2001 crop year seemed to conform initially to a "normal" spring, the dry conditions that occurred in late June and July and insect pressures proved catastrophic to the soybean crop, as well as to other commodities. The drought conditions resulted in significant crop losses across the province and tested staff throughout the rest of the crop year. The claims staff, through consistent, fair, and timely adjudication, handled over $200 million in claim payments.

Other 2001 Highlights

- Adjuster investigations and amendments to claims resulted in savings to the Crop Insurance Reserve Fund of over $2.6 million
- Audited over 3000 claims and yields

Introduced post-claim auditing of claims, allowing timely payments to producers while ensuring program integrity.

AGRICORP BUSINESS SERVICES DIVISION



Overview

The AGRICORP Business Services (ABS) Division continues to provide a wide variety of value-added services in support of the policy objectives of the Ontario government and linked to the priorities of the province's agriculture and food industry. ABS operates on a non-subsidized, not-for-profit basis.

In 2001-02, ABS worked closely with the Ontario Ministry of Agriculture and Food in delivering the Ontario Farm Business Registration Program and the Canada-Ontario Plum Pox Eradication Strategy. In addition, ABS continued to deliver several specialized services including agricultural and horticultural commodity grading, sampling, inspection, testing and financial protection services through Agri-Food Services, Leamington and Financial Protection Services, Guelph.

During 2001-02, ABS responded with service contracts to over 20 specific business requests from the agri-food industry, governments, and producers.

Agri-Food Services, Leamington

This unit of the ABS Division continued to deliver commodity grading, sampling, inspection and testing services for several horticultural and agricultural crops. The range of services includes third-party product quality grading, plant seedling counts, crop acreage measurement, crop monitoring, inspection and calibrating of grading equipment, and crop sampling for chemical residues.

Clients included groups from the Ontario processing vegetable crops industry, the flue-cured tobacco sector and the grains and oilseeds sector.

Several grading/inspection service contracts support fairness in price determinations between growers and the purchasers of the commodity.

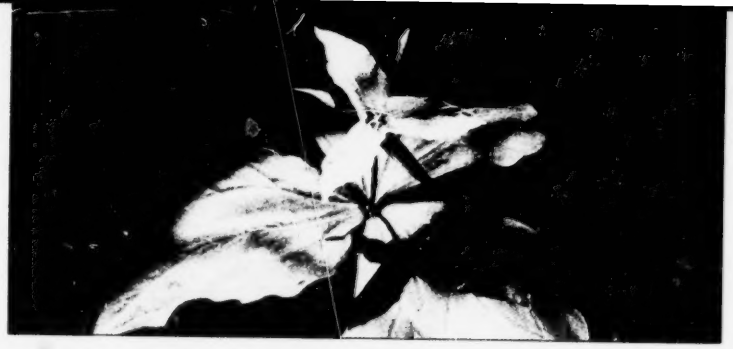
The alliance with the Canadian Grain Commission (CGC) continued to be successful in providing overall reduced costs to the Ontario grain industry for product certification. In addition to the third-party sampling services, new initiatives — including port-elevator grain sampling and weighing services as well as sampling services for specific CGC projects — were added to the strengthened alliance.

Leamington staff also provided the administrative support for the on-site audits that are part of the Advance Payment Program.

Financial Protection Services Unit

Under an agreement with the Minister of Agriculture and Food and the Grain Financial Protection Board, this unit continued to provide financial analysis, licensing, and inspection services (with respect to the Ontario Grain Financial Protection Program) for grain corn, soybean, and canola commodity groups. In addition, secretariat services were provided to the Grain Financial Protection Board and the investment funds were managed for each of the commodity groups.

Over 330 annual financial reviews were conducted and about 700 licenses issued. As a further means of providing financial protection, random, unannounced on-site audits were conducted. During these audits, verification of stored grain, adequate insurance, and prompt payments ensured grain dealer compliance with the program and acted as an early detection system of potential problems.



AGRICORP is pleased to continue to deliver the Ontario Dairy Credit Program as the service provider-of-choice for the Dairy Farmers of Ontario. Through a system of financial security checks and balances of dairy plants against program criteria, Ontario's milk and cream producers are protected from income losses. Over 50 dairy plants purchase and process milk in Ontario. In addition to performing the program's due diligence requirements, ABS also provides a Dairy Credit Program orientation and training service to new dairy plant operators and their staff.

Farm Business Registration Program

2001 was the first full year in which AGRICORP delivered the Ontario Farm Business Registration Program for the Ontario Ministry of Agriculture and Food. In an effort to make the registration process easy for Ontario farmers and efficient for the general farm organizations (the Ontario Federation of Agriculture and the Christian Farmers Federation of Ontario), AGRICORP introduced the options of registering by telephone or through the Internet. In the first year in which these options were available, a total of 52,586 farm businesses were registered. Of these, over 4,700 farmers choose to register by telephone, while nearly 1,200 farmers selected the Internet option.

For 2002-03, it is expected that over 51,000 farm businesses will be registered in Ontario. While the percentage of those using the telephone registration option is expected to remain constant, the use of the Internet option is anticipated to double.

Canada-Ontario Plum Pox Eradication Strategy

The Ontario tender fruit and nurseries industries, together with the Government of Ontario, the federal government and the Canadian Food Inspection Agency (CFIA), have developed a strategy to address the eradication of the plum pox virus in Ontario. The multi-year plan includes research, sampling/testing and producer financial assistance.

Under contract to the Ontario Ministry of Agriculture and Food, AGRICORP provided several vital services in the implementation of the strategy. In support of a general detection survey, over 74,000 leaf samples from nearly 550 commercial fruit farms were taken and tested for presence of the virus.

AGRICORP administered the strategy's grower financial assistance program. Payments exceeding $1.4 million were made to nearly 90 growers who removed orchard trees on the direction of CFIA officials.

As a means of containing the virus, the CFIA issued a prohibition on movement of certain fruit and ornamental nursery stock. AGRICORP administered the strategy's nursery inventory and financial assistance program by completing on-site audits of commercial nurseries. Under this contract, 25 nursery establishments were audited. As a result, about $2.7 million in compensation was paid to 16 commercial nurseries.

For 2002-03, AGRICORP will continue to deliver and administer several aspects of the strategy. It is expected that leaf sampling and testing for the general detection survey will exceed 150,000 samples. Sampling and testing in support of AAFC research projects will include leaf sampling from trees on residential properties in the quarantine zone. Financial assistance will continue to be provided under the grower financial assistance program.

Support for the Federal and Ontario Governments' Agriculture Safety Net Programs

In addition to delivering the Crop Insurance and Market Revenue Programs, AGRICORP, through the ABS Division, supported the federal and Ontario government agricultural risk-management strategy by responding to requests for additional services.

In 2001-02, ABS processed payments to Ontario growers under two programs. Growers received $92 million under the Ontario Grain Stabilization Payment Program. A further $164 million was paid under the Canada-Ontario Grains & Oilseeds and Edible Horticulture Crop Payment Program.

Outlook

ABS will continue to build on the corporate competencies developed and enhanced through the delivery and administration of both risk management programs and ABS service contracts.

In considering new business opportunities and in evaluating the renewal of existing contracts, ABS will ensure consistency with an overarching business objective of aligning business efforts with the public policy objectives of the Government of Ontario and with the priorities of the Ontario agriculture and food sector.

Relationships with OMAF, commodity groups, sector associations, and the general farm organizations remain very important to the success of ABS. Efforts will be made to strengthen existing alliances and establish new partnerships where it is clear that such arrangements are in the best interest of Ontario's agri-food industry.

The focus for the immediate future is to continue to work with OMAF and explore opportunities as an alternative provider of government programs. We are confident that AGRICORP can be an effective and efficient option.

ABS will also continue to respond to Ontario's agri-food industry needs when our corporate skills and competencies can be utilized.

AGRICORP is continuing to monitor discussions within the agriculture and food sector regarding a new Agricultural Framework Policy. AGRICORP, through the ABS Division, will work with stakeholder groups to understand industry needs and government expectations as new and revised programs are designed and implemented.

FINANCIAL HIGHLIGHTS

Crop Insurance Fund

Total producer premium for the year totaled $35.2 million, an increase of 11.3% from the previous year. This increase was due to higher premium rates as well as the number of acres insured. The actual number of acres insured for the 2001 crop year increased 8.5% to 4.05 million acres. Soybeans remained the top crop for the year on all the key measures: premium, amount of insurance, and acreage insured.

Crop Insurance Reserve Fund investment income was $18.4 million for the year, a 9.8% decrease over the previous year. This result was due to a combination of a lower average asset balance in the fund and lower market rates of return. The Fund earned 6.39% over the year versus 6.72% the previous year. Investment management is performed internally with oversight provided by the Board and quarterly reviews performed by a major firm of chartered accountants.

Claims for the year reached $261.3 million. This represents the largest payout in the 35-year history of Crop Insurance in Ontario. The largest previous payout was $165 million in 1992. The following table compares claims paid with producer premium for the crops with the largest losses in 2001:

	Producer Premium ($ millions)	Claims Paid ($ millions)
Soybeans	$ 8.8	$154.0
Corn	$11.3	$ 64.0
Coloured Beans	$ 1.0	$ 9.0

Our reinsurance program continued to be a significant factor in the results of the Crop Insurance Reserve Fund for the year. With the assistance of our broker, management obtained the participation of national and international insurance companies to share the risk for the 2001 crop. The policy called for the Crop Insurance Reserve Fund to pay the first $105.6 million in claims, with the reinsurers liable for the majority of the next $105.6 million. Actual reinsurance claims for the year amounted to $71.7 million, plus a $1.9 million reimbursement of claims adjusting expenses incurred by AGRICORP.

The acquisition of reinsurance for the past four crop years has proven to be a wise and timely decision by management, as demonstrated by the following:

Crop Year	Reinsurance Premium ($ millions)	Reinsurance Claims ($ millions)
1998	$8.0	none
1999	$6.1	none
2000	$5.6	$45.5
2001	$7.7	$73.6
Cumulative	$27.4	$119.1

As a result of the worst claims year on record, the Crop Insurance Reserve Fund declined by $108.2 million, or 36.0%.

Market Revenue Program

During the year, an extension to the Canada-Ontario Market Revenue Agreement was signed, extending the program for the 2001 and 2002 crop years. Coverage in the program for the 2001 crop year was increased to 90% of the average farm yield and 90% of the 15 year indexed average price.

Contributions were $45.9 million to cover the 2000 crop year. The program does not require producer contributions.

Interest income on the program fund was $5.7 million, at a 5.51% rate of return. The program funds are not managed by AGRICORP.

The value of the fund declined by $10.5 million over the course of the year.

General Fund

Revenue was generated by the AGRICORP Business Services Division from the following activities:

Grading and Sampling	**$ 2.9 million**
Financial Protection	**0.4**
Farm Business Registration	**0.4**
Cheque Production	**0.2**
Other	**0.2**
	$ 4.1 million

The General Fund experienced a $2.7 million surplus in the year through lower required project investment, increased AFS volumes, and continued focus on operating expense control.

MANAGEMENT RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements and the financial information in the annual report have been prepared by management. The financial statements have been prepared in accordance with generally accepted accounting principles. Management is responsible for the accuracy, integrity and objectivity of the information contained in the financial statements. Financial information contained elsewhere in the annual report is consistent with that contained in the financial statements.

The financial statements include some amounts, such as provision for unsettled indemnities that are necessarily based on management's best estimates and have been made using careful judgement.

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains financial and management control systems and practices designed to provide reasonable assurance that transactions are authorized, assets are safeguarded and proper records are maintained. The systems include formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities.

The Board of Directors is responsible for ensuring management fulfills its responsibilities for financial reporting and internal control. The Board meets regularly to oversee the financial activities of the Agency and annually reviews the financial statements.

The financial statements have been examined independently by the Office of the Provincial Auditor on behalf of the Legislature and the Board of Directors. The Auditor's Report outlines the scope of their examination and expresses their opinion on the financial statements of the company.

Philip Andrewes, *Chair*

Kenneth E. Kapustiak, *Director of Finance*

Office of the
Provincial Auditor
of Ontario

Bureau du
vérificateur provincial
de l'Ontario

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Auditor's Report

To AgriCorp
and to the Minister of Agriculture, Food and Rural Affairs

I have audited the balance sheet of AgriCorp as at March 31, 2002 and the statements of operations and fund balances, and cash flow for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2002 and the results of its operations and its cash flow for the year then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Ontario
June 6, 2002

J.R. McCarter, CA
Assistant Provincial Auditor

AGRICORP

Balance Sheet
As of March 31, 2002

	2002 ($000s)	2001 ($000s)
ASSETS		
Cash	3,294	3,623
Accounts receivable (Note 4)	52,092	48,341
Funds under administration (Note 5)	13,472	18,457
Investments (Note 6)	202,527	294,000
Due from the Minister of Finance (Note 7)	141,099	229,601
Capital assets (Note 8)	987	712
	413,471	594,734
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable and accrued liabilities	4,398	2,595
Unearned premiums and revenue (Note 9)	11,347	8,823
Provision for unsettled indemnities	65,542	130,124
Funds under administration payable (Note 5)	13,472	18,457
	94,759	159,999
Fund Balances (Notes 1 and 13)		
General Fund	4,213	1,526
Ontario Crop Insurance Fund	192,564	300,765
Market Revenue Program	121,935	132,444
	318,712	434,735
	413,471	594,734

See accompanying notes to financial statements.

On behalf of the Board:

Chair

Director of Finance

AGRICORP

Statement of Operations and Fund Balance – General Fund
For the Year Ended March 31, 2002

	2002 ($000s)	2001 ($000s)
Revenue		
Operating funding (Note 10)	9,366	10,090
Sales, consulting and other services	4,124	1,544
Interest Income	151	99
Reinsurance adjusting costs received (Note 11)	1,905	1,217
	15,546	12,950
Expenses		
Selling, general and administrative	12,288	12,313
Depreciation	571	546
	12,859	12,859
Excess of revenue over expenses	2,687	91
Fund balance, beginning of year	1,526	1,435
Fund balance, end of year	4,213	1,526

See accompanying notes to financial statements.

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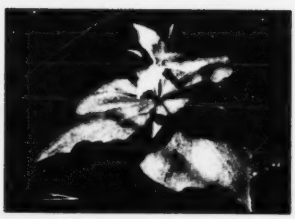
Statement of Operations and Fund Balance – Ontario Crop Insurance Fund
For the Year Ended March 31, 2002

	2002 ($000s)	2001 ($000s)
Revenue		
Premium from insured producers	35,214	31,646
Premium funding - Ontario and Canada (Note 3)	35,214	31,646
Interest and investment income	18,444	20,260
Reinsurance received (Note 11)	71,752	44,240
Bad debt recoveries	130	98
	160,754	127,890
Expenses		
Indemnities (Note 12)	261,276	144,174
Reinsurance (Note 11)	7,679	5,597
	268,955	149,771
Excess (deficiency) of revenue over expenses	(108,201)	(21,881)
Fund balance, beginning of year	300,765	322,646
Fund balance, end of year	192,564	300,765

See accompanying notes to financial statements.



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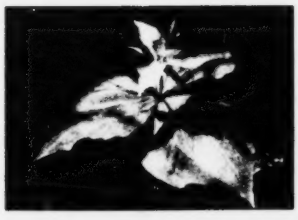
Statement of Operations and Fund Balance – Market Revenue Program
For the Year Ended March 31, 2002

	2002 ($000s)	2001 ($000s)
Revenue		
Premium funding - Ontario and Canada (Note 3)	45,047	72,512
Interest income	5,726	12,319
	50,773	84,831
Expenses		
Indemnities (Note 12)	61,282	125,343
Excess (deficiency) of revenue over expenses	(10,509)	(40,512)
Fund balance, beginning of year	132,444	172,956
Fund balance, end of year	121,935	132,444

See accompanying notes to financial statements.



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Cash Flow Statement
For the Year Ended March 31, 2002

	2002 ($000s)	2001 ($000s)
Cash Flows from Operating Activities		
Excess (deficiency) of revenue over expenses		
• General Fund	2,687	91
• Ontario Crop Insurance Fund	(108,201)	(21,881)
• Market Revenue Program	(10,509)	(40,512)
Adjustments to reconcile net income to funds provided by operating activities		
• Depreciation	571	546
• Net change in working capital	24,496	34,955
Cash flows from operating activities	(90,956)	(26,801)
Cash Flows from Investing Activities		
Purchase of capital assets	(846)	(506)
Decrease in investments	91,473	30,331
Cash flows used in investing activities	90,627	29,825
Net increase/(decrease) in cash	(329)	3,024
Cash at beginning of year	3,623	599
Cash at end of year	3,294	3,623

See accompanying notes to financial statements.

AGRICORP

Notes to Financial Statements
March 31, 2002

1. NATURE OF OPERATIONS

The AgriCorp Act, 1996 established AgriCorp as a new Crown agency effective January 1, 1997. The Corporation was established without share capital. Its mandate is to design and deliver agricultural safety net plans and other food products and services to the farm, food and rural sectors of Ontario. Current safety net programs include Crop Insurance and the Market Revenue Program.

The Ontario Crop Insurance Fund was established in 1966 and currently operates pursuant to the Crop Insurance Act (Ontario), 1996. The program provides growers with protection on all major crops grown in Ontario, against yield reduction caused by natural perils.

The Market Revenue program was established pursuant to the Interim Gross Revenue Insurance Plan (GRIP) agreement established by the Government of Canada with the provinces and commenced operations on April 1, 1991. The Program protects farmers against reduced income caused by low market prices of certain designated crops.

In January 2001, AgriCorp assumed responsibility from the Ontario Ministry of Agriculture, Food and Rural Affairs (OMAFRA) for the delivery of the Farm Business Registration Program established under the Farm Registration and Farm Organizations Funding Act, 1993. AgriCorp's obligations under an agreement with OMAFRA primarily include registration of farm businesses, collection of registration fees and, after deducting an administrative charge, forwarding the net fees to Ontario's accredited General Farm Organizations.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

The Corporation's financial statements are prepared in accordance with generally accepted accounting principles as prescribed by the Canadian Institute of Chartered Accountants.

(b) Capital Assets

Capital assets are stated at cost less accumulated depreciation. Depreciation is provided using the straight line method over the estimated useful life of the assets as listed below.

Furniture and fixtures	4 years
Vehicles	4 years
Machinery and equipment	4 years
Computer hardware	3 years
Computer software	2 years
Leasehold improvements	remaining life of the lease

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Pension Plan

Full-time employees participate in a mandatory contributory defined benefit pension plan administered by a third-party administrator. The Corporation matches employees' contributions. The cost of pension benefits for the defined benefit plan is determined by an independent actuary using the projected benefit method prorated on services and management's best estimates. Pension plan assets are valued using current fair values and any adjustments are amortized on a straight-line basis over the actuarial average remaining service life of the employee group.

(d) Investments

Interest income, gains and losses on disposal, amortization of premiums and discounts and write-downs to market value are reported in investment income. Market Revenue, Crop Insurance and General Fund cashflows and investments are segregated avoiding the need for allocation of investment income. Short-term investments are acquired primarily for the purpose of liquidity and are intended to be held for less than one year. Short-term investments are carried at cost which approximates market value. Long-term investments are recorded at cost net of accumulated premiums and discounts amortized over the term to maturity.

(e) Provision for Unsettled Indemnities

Provision for unsettled indemnities represents management's best estimates of amounts to be paid. Some commodity price variables for the Market Revenue Program payment calculations cannot be finalized until the end of the 2002 calendar year. Certain Crop Insurance claims remained unsettled at year-end and were either quantified based on settlement amounts after year-end or management estimates were made.

(f) Revenue Recognition

Premiums received in the period are deferred for crops which will be harvested subsequent to the end of the fiscal year.

3. CANADA-ONTARIO COST SHARING AGREEMENTS

(a) Crop Insurance

The current Canada-Ontario Crop Insurance Agreement came into effect April 1, 1997 and has no explicit expiry date. It can be terminated by either party with advance notice of two complete fiscal years. Under the terms of the Agreement, the Province and the Federal government share equally the cost of 50% of the premium with the producers paying the remaining 50%. The two levels of government share equally the selling, general and administrative expenses.

3. CANADA-ONTARIO COST SHARING AGREEMENTS (CONTINUED)

(b) Market Revenue

In March 2002, the Governments of Canada and Ontario extended the Canada Ontario Market Revenue Agreement to include the 2001 and 2002 crop years. Under the terms of the Agreement, the Federal government is required to contribute $10 million to the Market Revenue Program on November 1st of each year. Canada will also contribute amounts per fiscal year subject to the availability of funds for this program. Ontario's contribution to the program is based on the residual funds available after deducting the contributions made to other programs from the total amount appropriated annually for safety net support. The Province and the Federal government each share equally in the cost of the selling, general and administrative expenses.

4. ACCOUNTS RECEIVABLE

Accounts receivable consist of the following:

	2002 ($000s)	2001 ($000s)
Government funding	48,562	36,505
Accrued interest	9	27
Producer premiums, net	2,786	2,504
Trade	735	353
Reinsurance receivable	–	8,952
	52,092	48,341

5. FUNDS UNDER ADMINISTRATION

The Corporation provides cheque production and cash management services for agricultural programs under various agreements with the Ontario Ministry of Agriculture, Food and Rural Affairs. The funds required to make payments under these programs are provided by Ontario and Canada.

	2002 ($000s)	2001 ($000s)
Funds Under Administration		
Short-term investments	2,396	111,673
Cash (Outstanding payments)	11,076	(93,216)
	13,472	18,457
Funds Under Administration Payable		
Ontario Whole Farm Relief Program	2,446	11,013
Ontario Farm Income Disaster Program	4,503	4,922
Ontario Grain Stabilization Payment	–	2,261
Canada Grain Stabilization Payment	6,282	–
Ontario Farm Business Registration Program	92	144
Other	149	117
	13,472	18,457

6. INVESTMENTS

Legislation restricts the Corporation's investments to highly liquid, high grade money market instruments such as federal and provincial bonds, deposit notes issued by domestic financial institutions and other securities approved by the Minister of Finance.

6. INVESTMENTS (CONTINUED)

(a) Portfolio Profile

Investments are as follows:

	2002		2001	
	Carrying Amount ($000s)	Fair Value ($000s)	Carrying Amount ($000s)	Fair Value ($000s)
Short-term	33,627	33,722	16,731	16,659
Long-term				
Government of Canada	20,706	20,721	47,965	46,961
Province of Ontario	32,391	32,837	32,609	33,305
Other provincial governments	34,199	33,826	48,734	48,106
Provincial utilities	47,198	46,843	46,685	46,612
Other financial institutions	34,406	32,968	101,276	101,032
Total long-term	168,900	167,195	277,269	276,016
Total Investments	202,527	200,917	294,000	292,675

(b) Investment Risk

The coupon rates for the long-term bond portfolio ranged from 5.0% to 10.85% with a weighted average yield of 6.6[illegible]%. Fluctuations in interest rates could have a significant impact on the market value of the bond portfolio. This could result in realized gains or losses if actual claims levels differed significantly from expected and quick liquidation of assets were required to meet obligations. At March 31, 2002, a 1% move in interest rates could impact the market value by approximately $6.2 million but bonds are generally held to maturity.

(c) Maturity Profile of the Investment Portfolio

	2002 ($000s)	2001 ($000s)
<1 Year	33,627	16,731
1-3 Years	25,828	53,032
3-5 Years	65,394	58,509
>5 Years	77,678	165,728
Total	202,527	294,000

7. DUE FROM THE MINISTER OF FINANCE

Pursuant to Order-in-Council 1546/91, an account has been established in the Ontario Government's Consolidated Revenue Fund to receive Market Revenue Program contributions from Canada and Ontario. Interest is paid quarterly on the account's average daily closing value based on the average Bank of Canada treasury bill rate. This account is used to administer the Program and cannot be accessed for the general operating, financing and investing activities of AgriCorp.

8. CAPITAL ASSETS

	March 31, 2002			2001
	Cost ($000s)	Accumulated Amortization ($000s)	Net Book Value ($000s)	Net Book Value ($000s)
Computer hardware	2,189	1,343	846	425
Computer software	1,021	956	65	164
Leasehold improvements	115	106	9	32
Machinery and equipment	122	61	61	76
Vehicles	36	36	–	6
Furniture and fixtures	18	12	6	9
	3,501	2,514	987	712

9. UNEARNED PREMIUMS AND REVENUE

Unearned premiums represent premiums paid in advance to the Ontario Crop Insurance Fund for winter wheat ($5.67 million), forage ($1.99 million) and other crops ($2.58 million). These crops are not harvested until after the end of the fiscal year giving rise to the deferral of the premiums. Unearned revenue ($1.11 million) includes operating funding related to the unamortized value of capital assets.

10. OPERATING FUNDING

Canada and Ontario have agreed to share equally the costs of administering the Ontario Crop Insurance Fund and the Market Revenue Program. The Federal contribution shall not be more than the provincial share even if that amounts to less than 50% of the incurred costs. Based on a reasonable estimate of the administrative workload, these costs are allocated to the Fund and Program 95% and 5%, respectively.

11. REINSURANCE AGREEMENT

The Corporation has an ongoing program of reinsurance with a number of insurance carriers. This program provides for the reinsuring companies to assume crop insurance losses from 150% to 300% of total premiums.

For the 2001 crop year, crop insurance losses surpassed the established threshold for reinsurance coverage. Payments made by reinsurance companies represent claims submitted for crop losses as well as adjusting costs incurred by the Corporation.

12. INDEMNITIES

The Ontario Crop Insurance Fund's operating results for the current period includes a $2.15 million under-provision for unsettled indemnities as at March 31, 2001 (2000 - $1.05 million under-provision for indemnities). In addition, the Ontario Crop Insurance Fund's operating results for the current period include a provision for unsettled indemnities relating to the 2001 crop year of $1.3 million (2000 - $4.02 million).

The Market Revenue Program's operating results for the current period includes a $2.9 million over-provision of unsettled indemnities as at March 31, 2001 (2000 - $711,000 over-provision). In addition, the Market Revenue Program's operating results for the current period include a provision for unsettled indemnities relating to the 2001 crop year of $64.2 million (2000 - $126.1 million).

13. SEGMENTED INFORMATION

	General Fund	Crop Insurance Fund	Market Revenue Program	Total 2002	Total 2001
			($000s)		
Assets					
Cash	3,202	92	–	3,294	3,623
Accounts receivable	737	5,989	45,366	52,092	48,341
Funds under administration	13,472	–	–	13,472	18,457
Investments	2,998	199,529	–	202,527	294,000
Due from the Minister of Finance	–	–	141,099	141,099	229,601
Capital assets	987	–	–	987	712
Inter-fund receivables/(payables)	245	–	(245)	–	–
	21,641	205,610	186,220	413,471	594,734
Liabilities					
Accounts payable and accrued liabilities	2,843	1,492	63	4,398	2,595
Unearned premiums and revenue	1,113	10,234	–	11,347	8,823
Provision for unsettled indemnities	–	1,320	64,222	65,542	130,124
Funds under administration payable	13,472	–	–	13,472	18,457
	17,428	13,046	64,285	94,759	159,999
Fund Balances	4,213	192,564	121,935	318,712	434,735

14. PENSION PLAN

The Corporation has a mandatory contributory defined benefit plan for its full-time employees. The plan was set up effective January 1, 1997. Based on a financial statement prepared by the plan's actuary, the present value of the accrued pension obligation and the fair value of the net assets available to provide for the obligation, are as follows:

	2002 ($000s)	2001 ($000s)
Accrued pension obligation	2,447	1,915
Fair value of plan assets	2,312	1,873
Pension plan surplus (deficit)	(135)	(42)

Certain assumptions were made in determining the pension obligation. Plan assets were assumed to earn 7.5% per year, salary escalation was assumed to be 5% per year and 7% was used as the discount rate.

The pension plan remained in a deficit during the fiscal year due to low investment returns. Plan assets are invested in three balanced funds and one global equity fund.

	2002 ($000s)	2001 ($000s)
Fair value of plan assets - beginning	1,873	1,612
Contributions by the corporation	257	248
Contributions by the employees	257	248
Benefit payments	(169)	(164)
Return on plan assets	94	(71)
Fair value of plan assets - ending	2,312	1,873

To date, the Corporation has an accrued pension benefit liability as follows:

	2002 ($000s)	2001 ($000s)
Accrued benefit liability - beginning	33	28
Pension expense for the year	278	253
Contributions by the corporation	(257)	(248)
Accrued benefit liability - ending	54	33

15. RELATED PARTY TRANSACTIONS

The Corporation has entered into several agreements to acquire services from the Ontario Ministry of Agriculture, Food and Rural Affairs. Under the terms of the agreements the Corporation paid the Ministry $349,214 during the year. These services, assessed at fair market value, include the utilization of postage, courier, copy, and legal services. In addition, the Corporation paid the Ontario Realty Corporation $320,735 to rent their head office location.

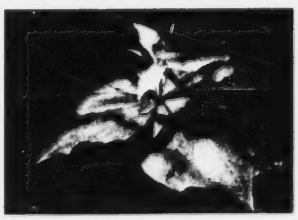
16. BOARD REMUNERATION AND SALARY DISCLOSURE

Total remuneration to members of the Board of Directors was $47,470 during the year ending March 31, 2002 (2001 - $53,240).

The Public Sector Salary Disclosure Act, 1996, requires the Corporation to disclose employees paid an annual salary in excess of $100,000. For the 2001 calendar year, the Corporation's former Chief Executive Officer, Mr. Alan Steel, was paid a salary of $133,679 plus taxable benefits of $10,551.

17. LEASE COMMITMENTS

The commitment on 21,283 square feet of office space currently occupied by the Corporation expires on March 31, 2003, at which time the Corporation has the option for an additional two renewal terms of three years each at the prevailing market rate. During the remaining portion of this lease, the corporation is committed to a minimum rental payment of $170,000.



Board of Directors

• As of March 31, 2002

Board of Directors:

Chair: .....Philip Andrewes *Vice Chair:* .....Lynne Cohoe

Directors: Herm Dick, Ron Pearson, Mike Soenens, Klaus Wand, John Shrubb, Owen Dobbyn, Larry Van Acker, Henry Aukema, Maurice Waddick, Dave Hope

Executive Committee:

Chair: .....Philip Andrewes *Vice Chair:* .....Lynne Cohoe

Directors: Maurice Waddick, Henry Aukema, Dave Hope

Crop Insurance Committee:

Chair :.....Lynne Cohoe *Vice Chair:* .....Ron Pearson

Directors: Herm Dick, Mike Soenens, Klaus Wand, Owen Dobbyn, John Shrubb, Larry Van Acker

Market Revenue Appeals Advisory Committee:

Chair :.....Owen Dobbyn *Vice Chair:* .....Ron Pearson

Director:.....Lynne Cohoe

Officers/Senior Management Team

• As of March 31, 2002

Officers:

Kenneth E. Kapustiak, *Treasurer*

Kimberly Leach, *Corporate Secretary*

Senior Management Team:

Michael Vleek
Director, Marketing & Sales

Paul Cudmore
Interim Director, Program Delivery and Operations

Stephen Ip
Director, Information Technology

Greg Brown
Executive Director, AGRICORP Business Services

NOTES

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